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A leader in inhaled pharmaceuticals

Interim Results

24 November 2008

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Agenda

- Introduction & six month highlights
- Financial update
- Key value drivers
- Summary

A sustainably cash-generative specialty pharmaceutical business, investing for future revenue streams

- Product development, targeting lung pathologies
  - Develop/co-develop and out-license products that address larger markets
  - Develop/co-develop specialty products to regulatory approval and market
- Technology collaborations
- Building franchise through
  - Internal innovation
  - Acquisition of products, technologies or businesses

- No requirement for further financing
- Careful cash management
  - Use revenues to offset costs
  - Build revenues
    - Short-medium term, with substantial milestones/royalties from current deals
    - Short-medium term, from future product/technology deals
    - Medium-long term from own-product sales
- Flexible development model
- Focused new product selection

Vectura's future focus

Proven mechanisms/ active drugs

Out-licensing or Specialty pharmaceutical potential

Vectura development or Co-development

Disease Areas of Interest

Lung pathologies

Neurological diseases

Respiratory
e.g. Asthma, COPD

Other lung pathologies
e.g. CF, IPF, HE, PAH

The “universe” of lung pathologies

Fibrotic disease	
Interstitial lung diseases	Idiopathic pulmonary fibrosis (IPF)
	Pulmonary fibrotic disease/ Pulmonary fibrosis (non-IPF only) *Secondary target: Asbestosis, Acute/Chronic berylliosis*
	Bronchiolitis obliterans organizing pneumonia (BOOP)
	Sarcoidosis
Cystic fibrosis	
Obstructive airway disease	
Alpha-1-Antitrypsin deficiency	
COPD	Chronic bronchitis
	Emphysema
Bronchiectasis	
Asthma	

Allergy	
Allergic bronchopulmonary aspergillosis	
Hypersensitivity pneumonitis	
Pulmonary eosinophilia	
Infectious lung disease	
Lower respiratory tract infections	Aspirgillosis
	Bronchiectasis - infected
	Influenza
	Pneumonia
	Tuberculosis
	Whooping cough
	Legionnaires disease
Abscess of lung	

Lung cancer	
Malignant neoplasms of the respiratory system	Non-small cell lung cancer (NSCLC)
	Small cell lung cancer (SCLC)
Transplant rejection	
Lung acute rejection following lung transplantation	
Lung chronic rejection following lung transplantation	
Pulmonary arterial hypertension	
Sleep apnea	
Cough	

Six month highlights

- Financial results
  - Revenues up 9%
  - Net cash utilisation £5m
  - Cash ~£74m
- Product highlights
  - BI milestone - €7.5m
  - Sandoz confirmed as partner on VR315 and VR632
  - European Respiratory Society
    - Positive NVA237 Phase II data
    - Positive LAMA safety data from UPLIFT
    - Disappointing aclidinium bromide Phase III data
  - Start of VR496 Phase II trial in cystic fibrosis

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Financial update

Anne Hyland

Chief Financial Officer

Financial summary H1 2008/09

Revenues	**Up 9% to £13.3m**
Gross Profit	**Up 17% to £11.4m**
R&D Investment	**Up 10% to £16.1m**
Cash	**£73.8m**

Income statement H1 2008/09

£m	2008/09 H1	2007/08 H1	2007/08 FY	Comments
Revenue	**13.3**	**12.3**	**25.2**	
Cost of sales	(1.9)	(2.5)	(4.4)	
Gross profit	**11.4**	**9.8**	**20.8**	
R&D costs	(15.4)	(13.8)	(28.0)	
Administrative costs	(1.3)	(1.7)	(3.1)	
EBITDA	**(5.3)**	**(5.7)**	**(10.3)**	
Amortisation/depreciation	(5.8)	(5.5)	(11.8)	
Share based compensation	(1.2)	(1.5)	(2.7)	
Share of loss of associate	(0.3)	(0.2)	(0.3)	
Operating loss	**(12.6)**	**(12.9)**	**(25.1)**	
Net financing income	2.0	1.7	3.7	Interest rate reduction will reduce H2 income
Exchange loss	(1.1)	-	-	$19m financial liability offset by $ royalty stream
Pre-tax loss	**(11.7)**	**(11.2)**	**(21.4)**	
Taxation	1.7	1.1	2.2	
Loss after tax	**(10.0)**	**(10.1)**	**(19.2)**	
Loss per share	**3.1p**	**3.2p**	**6.1p**	

Revenues H1 2008/09

£m	2008/09 H1	2007/08 H1	2007/08 FY	Comments
Royalties	5.9	4.5	9.1	Advate £3.9m, Extraneal £1.5m
Product licensing	0.5	1.7	2.3	
Technology licensing	2.8	1.4	3.4	£1.9m BI milestones
Pharmaceutical development services	3.1	4.1	8.9	
Device sales	1.0	0.6	1.5	
Total revenues	**13.3**	**12.3**	**25.2**	

Cash flow highlights H1 2008/09

£m	2008/09 H1	2007/08 H1	2007/08 FY	Comments
EBITDA	**(5.3)**	**(5.7)**	**(10.3)**	
Deferred income	(2.4)	(2.1)	2.4	
Working capital, etc.	1.0	1.8	4.2	
Net taxes received	0.4	0.2	2.2	
Operating cash outflow	**(6.3)**	**(5.8)**	**(1.5)**	-
Investing activities				
- Capital expenditure	(1.1)	(0.4)	(0.7)	
- Interest received	2.2	2.1	4.4	
- Receipts from sale of fixed assets			1.4	
Cash outflow before financing	**(5.2)**	**(4.1)**	**3.6**	
Financing activities				
- Financial liability/leases	-	(2.4)	(6.4)	
- Issue of shares	0.2	0.4	4.1	
(Decrease)/increase in cash	**(5.0)**	**(6.1)**	**1.3**	

Balance sheet at 30 September 2008

£m	**As at 30 Sep 08**	As at 31 Mar 08	**Comments**
Non-current assets	112.0	117.0	Amortisation of intangible assets reducing balance
Current assets			
- Inventory	0.1	0.2	
- Debtors, etc.	7.8	6.0	
- Cash, cash equivalents, short-term investments	73.8	78.8	
Current liabilities			
- Financial liabilities	(4.9)	(0.9)	
- Trade and other payables	(11.3)	(10.0)	
- Deferred income	(5.5)	(5.5)	
Non-current liabilities	(11.0)	(16.1)	£5.1m financial liability; £5.9m deferred income
Shareholders' funds	**161.0**	**169.5**	

Financial guidance FY 2008/09

Revenue

- H208/09 in line with H1 at £13.3m
- Includes Boehringer Ingelheim £6m milestone received Nov 08 and recognised over 24 months - excludes any new milestones

R&D

- Guidance H2 in line with H1 - FY circa £32m

Administration

- FY circa £3m excluding amortisation and share based compensation

Cash

- FY08/09 net cash burn £5m - £8m
- At lower end of previous guidance after receipt of £6m Boehringer Ingelheim milestone
- Net cash burn may increase if new in-licensing or co-development opportunities arise
- Net cash burn may decrease due to additional milestone or licensing receipts

Major milestones after 30 September 2008

- **NVA237/QVA149 -** Circa $85m prior to product launches in US & EU
- **VR315 EU -** €10m prior to product launch in major EU territories
- **VR315 US -** Up to $30m prior to product launch in US
- **VR632 EU -** Up to €9m prior to product launches in main EU territories
- **BI -** In excess of €20m milestones per product approved for use in the inhaler
- **Duohaler® -** Up to £5m milestones per product prior to approval. 50% repayable in certain circumstances
- **Clickhaler® -** No further cash milestones due on current licensing deals

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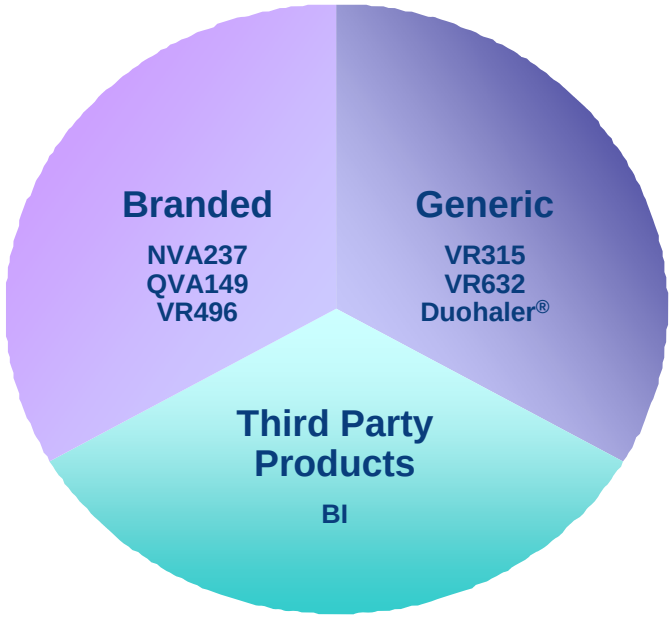
Key value drivers

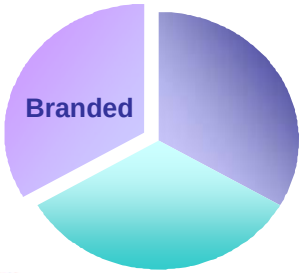
Chris Blackwell

Chief Executive

Targeting key value segments in the respiratory market



NVA237 & QVA149 - COPD



NOVARTIS

- Collaboration signed in April 2005
- Upfront of $15m received
- Milestones up to $172.5m
- Royalties on product sales of NVA237 & QVA149
- Rights for additional third combination

Monotherapy - NVA237

- Once-daily, long-acting, rapid onset muscarinic antagonist (LAMA)
- Phase II data presented at ERS demonstrating faster onset than Spiriva®

Combination - QVA149

- Combination of NVA237 with indacaterol (QAB149), Novartis' long-acting, once-daily beta-agonist (LABA)
- Targeting neural modulators of bronchial tone, giving optimal effect

- NDA submissions scheduled from 2011

Update from European Respiratory Society Meeting (ERS)

- NVA237 Phase II dose-ranging and safety/tolerability
- Spiriva® safety data from UPLIFT
- Aclidinium bromide Phase III data

NVA237 dose-ranging study in COPD - A2205, ERS 2008

- Randomised, double-blind, placebo-controlled, x-over
- 83 patients >40yrs
  - (mean 64.4yrs)
- Smoking history >10 pack-years
- FEV_1 <80%, >30% predicted
  - (mean 1.3L)
- FEV_1/FVC ratio <0.7
- NVA237 12.5, 25, 50, 100µg
- Tiotropium 18µg & placebo
- Once-daily treatment for 7 days

Trough FEV_1 data – difference vs. placebo (95% CI)

NVA237 12.5µg	25µg	50µg	100µg	tiotropium 18µg
75ml (23,127)	90ml (37,143)	131ml (78,185)	142ml (89,195)	127ml (85,169)

p ≤0.002 for all groups

Mean of data collected at 23.25 and 23.75 hrs post dose on Day 7

NVA237 safety and tolerability in COPD - A2206, ERS 2008

- Randomised, double-blind, placebo-controlled, parallel group
- 281 patients >40 years
  - Mean 63.4 years
- Smoking history 10 ≥ pack-years
- FEV_1/FVC ratio <0.7
- FEV_1 <80%, >30%
  - (mean 1.3L)
- NVA237, 100µg and 200µg
- Once-daily treatment for 28 days

NVA237 safety and tolerability in COPD - A2206, ERS 2008

- NVA237 100µg & 200µg doses both well tolerated
- Low occurrence of dry mouth (3.3%, 7.1%, 0%) (100µg, 200µg, placebo)
- No clinically significant changes in QTc intervals
- No clinically significant changes in vital signs

Trough FEV_1 difference vs. placebo at Day 28

NVA237 100µg	NVA237 200µg
161mL	151mL

$p < 0.05$

NVA237 reports encouraging Phase II data

- 24hr duration of effect on FEV_1
- Evidence of more rapid onset of effect compared to tiotropium
- No safety concerns

- Singh *et al* (JAMA) claims elevated cardiovascular (CV) risk for inhaled anti-cholinergics
  - Retrospectively designed meta-analysis
  - Mixed analysis of muscarinic drugs
  - None of the trials included had CV risks as primary endpoint
  - Analysis did not have access to study source data
  - CV events were few raising doubts on clinical relevance (1.8% incidence vs. 1.2% in placebo)
  - Smaller patient numbers than Spiriva® meta-analysis (14,783 vs. 19,545) on 30 randomised controlled trials (RCTs)

Singh et al. JAMA 2008; 300 (12): 1439-1450

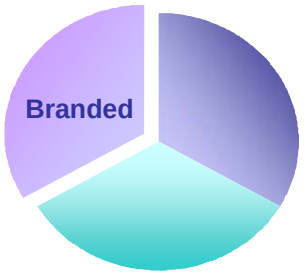
Strong support for Spiriva® safety

- Spiriva® meta-analysis of 30 RCT reverses concern over risk for stroke, MI and cardiac death
  - No increase in risk of all cause mortality, cardiac mortality, MI or stroke
- UPLIFT study reports out:
  - 5993 patients treated for 4 years
  - Failure to slow FEV_1 decline (primary EP)
  - Increase in mean FEV_1 in Spiriva® group on top of background COPD therapy (including Seretide® /Advair®)
  - Improved QOL for Spiriva® group
  - Reduction of all cause mortality in Spiriva® group

Disappointing Phase III results for aclidinium bromide

- ACCLAIM I & II total 1647 patients
- Patients had moderate to severe COPD
  - > 40 years old
  - >10 pack-years smoking history
  - Mean FEV_1 1.4L and 1.2L
- Once daily dosing with aclidinium 200µg vs. placebo via Genuair® inhaler for 1 year
- Trough FEV_1 increase vs. placebo was 60 - 70 mL at weeks 12 & 28 ($p<0.001$)
  - Maintained over 52 weeks ($p<0.001$)
- Peak FEV_1 increase vs placebo was 154 -177mL at weeks 12 & 28 ($p<0.0001$)
- Median time to peak FEV_1 = 2 hours
- QOL and time to first exacerbation end points each missed significance in one trial
- Safety and tolerability comparable for both treatment arms

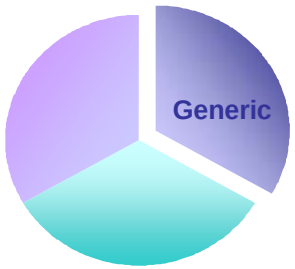
VR496 – Cystic fibrosis/COPD



- Phase II CF study initiated October 2008
- Speciality product that Vectura can take through to market
- Global CF market predicted to increase from $680m in 2008 to $1.93b in 2015
- Potential utility in COPD – opportunity to partner for this indication

- Double-blind, placebo controlled randomised trial with 4-week at-home treatment period
- 64 patient study
- Three study doses plus placebo
- Study end points
  - Safety
  - Lung function (FEV_1 and FVC)
  - Anti-inflammatory activity
    - Neutrophil elastase and IL-8 in induced sputum
  - Mucolytic activity
    - Mucociliary clearance (PRO via diary card)
    - Sputum viscosity
  - Microbiological bacteria count and density (expectorated sputum)
  - Cystic Fibrosis Questionnaire (CFQ-R)

VR315 – Asthma/COPD



- An inhaled combination asthma/COPD therapy
- In development as a generic product delivered with Vectura's GyroHaler®
- Registration trials scheduled for 2008

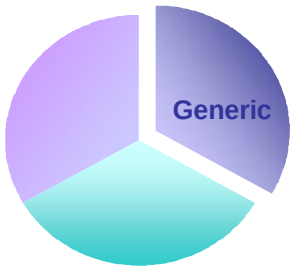
Europe

- Licensed to Sandoz (March 2006)
- €22.5m in milestones and development funding
- Royalties on all VR315 sales and a margin on the commercial manufacture and supply of GyroHaler®

US

- Cost share/profit share agreement with Sandoz (December 2006)
- Up to $63m upon achievement of pre-determined milestones

VR632 – Asthma/COPD



- An inhaled combination asthma/COPD therapy
- In development as a generic product delivered with Vectura's GyroHaler®
- Licensed to Sandoz for Europe only
- Vectura retains US rights; non-generic product opportunity

- €15.5m in milestones and development funding
- Royalties on all VR632 sales and a margin on the commercial manufacture and supply of GyroHaler®

Top 5 respiratory products 2007

Advair®/Seretide®	$6.9B	Diskus® / Accuhaler®
Singulair®	$4.3B	Oral
Spiriva®	$2.9B	Handihaler® / Respimat®
Symbicort®	$1.6B	Turbohaler®
Pulmicort®	$1.5B	pMDI / DPI (Turbohaler®) / nebulised

Boehringer Ingelheim collaboration

- Development of a dry powder inhaler to deliver BI proprietary respiratory products
- Building on Vectura's GyroHaler® technology
- Creating value from Third Party respiratory products

Boehringer Ingelheim

- Worldwide collaboration, development and licence agreement (May 2006)
- €5 million in cash & €10m in equity at a premium on signing
- Milestone of €10m in cash & €5m in equity at a premium (Nov 2007)
- Milestone of €7.5m in cash (Oct 2008)
- Further milestones on every product developed in the device
- Royalties on product sales

BI's marketed products & respiratory pipeline

- Marketed products
  - Spiriva® (tiotropium)
  - Atrovent® (ipratropium bromide)
  - Combivent® (ipratropium bromide/salbutamol)
  - Berodual® Duovent® (fenoterol/ipratropium bromide)
- Limited public information on respiratory pipeline
  - Number of ipratropium and tiotropium clinical trials
    - Tiotropium/salmeterol
    - Tiotropium/formoterol
  - Two other molecules in clinical trials but limited information
    - BI 1744 CL β_2-agonist (Phase II)
    - BEA 2180 BR anti-inflammatory (Phase II)

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Summary

Chris Blackwell

Chief Executive

Near-term newsflow

VR040 Parkinson's disease	"At home" study start
VR315 Asthma/COPD	Registration studies
NVA237 COPD	Registration studies
QVA149 COPD	Registration studies
Duohaler®	Registration studies
VR496 CF	Phase II (p-o-c) data

Summary

- One of the broadest pipelines in the sector
  - 8 marketed products
  - 1 Phase III product
  - 8 Phase II products
- Out-licensing opportunities
  - Technologies and products
- Strong financial position
  - Targeting sustainable cash generation
  - Growing revenue streams
  - ~ £74 million cash at 30 September 2008
- High value respiratory pipeline
  - 4 products in preparation for registration studies

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